



# **Housing Trust Fund Program Guidelines**

**City of Charlotte  
Housing & Neighborhood Services  
600 East Trade Street  
Charlotte, NC 28202-2859**

**February 2018**

## General Conditions

### Section I: Purpose

- 1.0 The City of Charlotte (“City”) is now accepting proposals for Housing Development through the City’s Housing Trust Fund (“HTF”) to provide loan and grant funds for newly constructed or rehabilitated multi-family housing. The H T F is capitalized with voter approved tax-exempt general obligation bond proceeds and other available City financing resources. H T F financing serves as gap financing and is used to finance housing for households earning 80% or below the City’s area median income (AMI). Development projects financed through the HTF are required to record long-term deed restrictions to maintain the development’s affordability.

### Section II: Instruction to Proposers

- 2.0 **Introduction:** Careful attention must be paid to all requested items contained in the Request for Proposal (RFP) packet and Development Teams are required to submit proposals in accordance to the requirements of the RFP documents. The entire set of documents contained in the RFP packet constitutes the RFP. The Developer must submit all information necessary to properly analyze the proposer's response. The City will only accept complete applications for review. Incomplete applications will be returned to the applicant.
- 2.1 **Each Developer Shall:** Comply with all federal, state, City and local ordinances and statutes governing residential housing development.
- 2.2 **Proposal Review and Submission:** Proposals will be accepted in accordance to the instructions detailed in the Affordable Housing Funding Application Submittal checklist. Developers shall be responsible for the actual submission of proposals.
- 2.3 **Proposal Reservations:** The City reserves the right to reject any or all proposals, to award in whole or part and to waive minor immaterial defects in proposals.
- 2.4 **Liability:** The City is not responsible for any cost incurred by a developer in the Preparation of their RFP response.
- 2.5 **Proposal Changes/Modifications:** Developers may change or withdraw their proposal at any time prior to RFP response closing; however, no oral modifications will be allowed. Only formal written requests for modifications or corrections of a previously submitted proposal will be accepted by the City prior to the scheduled closing time for receipt of proposals.
- 2.6 **Clarification of Submittal:** The City reserves the right to obtain clarification of any point in a Developer’s RFP response or to request and obtain additional information.

- 2.7 **Developer Questions and Inquiries:** The City is committed to providing all Developers responding to the RFP with accurate and consistent information in order to ensure that no Developer obtains an undue competitive advantage. All questions and inquiries must be directed as indicated below:

Miles Vaughn,  
Housing & Neighborhood Services  
600 East Trade Street  
Charlotte, NC 28202  
PHONE: 704-336-5045  
FAX: 704-632-8587  
[miles.vaughn@charlottenc.gov](mailto:miles.vaughn@charlottenc.gov)

Zelleka Biermann  
Housing & Neighborhood Services  
600 East Trade Street  
Charlotte, NC 28202  
Tel: (704) 336- 2482  
Fax: (704) 336-3489  
[zbiermann@charlottenc.gov](mailto:zbiermann@charlottenc.gov)

- 2.8 **Use of Name:** The City is not engaged in research for advertising, sales promotion, or other purposes. No advertising, sales promotion or other public City materials containing information obtained from this proposal are to be mentioned, or imply the name of the City, without prior express written permission.
- 2.9 **Bribery and Lobby Clause:** By submission of an RFP response, the Developer certifies that no employee of theirs, any affiliate or subcontractor has bribed or lobbied, or attempted to bribe or lobby an officer or employee of the City.
- 2.10 **Agreement with Successful Developer:** All statements contained in an RFP response or made in writing during negotiation by the Developer shall constitute offers by the Developer for inclusion in the final agreement. The City may accept or reject such offers within a reasonable time after they are made.
- 2.11 **RFP response Evaluation:** RFP responses will be evaluated based on the evaluation criteria found in the RFP packet documents.
- 2.12 **Award of Funding by City Council:** As soon as practicable after the review and selection process, the successful RFP responses will be submitted to the City Council for final approval of award. If approved by the City Council, the Housing & Neighborhood Services Department will provide properly prepared agreement documents to the Developer.
- 2.13 **Request For Proposal Deliverables:** All Developers must submit the information required in the Affordable Housing Funding Application Submittal Checklist

- 2.14 **Familiarity with Laws and Ordinances:** The Developer will be in compliance with all applicable federal, state and/or local laws regarding employment practices. Such laws will include, but shall not be limited to workers' compensation, the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), the Family and Medical Leave Act (FMLA) and all OSHA regulations governing residential development.

If the Developer discovers any provisions in the RFP or supporting documents, which are contrary to or inconsistent with any law, ordinance or regulation, they shall immediately report it in writing to the Housing & Neighborhood Services Department's Housing Services Manager.

- 2.15 **Fair Housing Compliance:** The City is committed to ensuring the protection of fair housing rights for all citizens of Charlotte. This includes prohibition of discrimination in housing practices due to race, sex, religion, national origin, color, disability status and familial status ( having custody of children 18 years of age and younger). As a condition of entering into an Agreement with the City, the Developer agrees to not violate the Charlotte Fair Housing Ordinance. Specific questions regarding compliance with the Charlotte Fair Housing Ordinance may be directed to the Charlotte-Mecklenburg Community Relations Committee for clarification.

- 2.16 **Taxes:** The Developer shall be responsible for any applicable Federal, State and Local taxes, which may be chargeable against the performance of the work agreed to.

- 2.17 **Non-Discrimination Provision:** The City is committed to promoting equal opportunities for all and to eliminating prohibited discrimination in all forms. For purposes of this section, prohibited discrimination means discrimination in the solicitation, selection, and/or treatment of any subcontractor, vendor, supplier or commercial customer on the basis of race, ethnicity, gender, age, religion, national origin, disability or other unlawful form of discrimination. Without limiting the foregoing, prohibited discrimination also includes retaliating against any person, business or other entity for reporting any incident of prohibited discrimination. It is understood and agreed that not only is prohibited discrimination improper for legal and moral reasons, prohibited discrimination is also an anti-competitive practice that tends to increase the cost of goods and services to the City and others. As a condition of entering into an Agreement, the Developer must represent, warrant and agree that it does not and will not engage in or condone prohibited discrimination. Without limiting any rights the City may have at law or under any other provision of an Agreement, it is understood and agreed that a violation of this provision constitutes grounds for the City to terminate its Agreement with the Developer.

As a condition of entering into an Agreement, the Developer further agrees to: (a) promptly provide to the City all information and documentation that may be requested by the City from time to time regarding the solicitation and selection of subcontractors; and (b) provide to the City within 60 days after completion of performance under an Agreement a Final Payment Affidavit in the form that will be attached to an Agreement as an Exhibit. Failure to maintain or failure to provide such information would constitute grounds for the City to terminate or withhold payment under an Agreement.

- 2.18 **Independent Contractor Status:** The Developer and the City agree that the Developer is an independent contractor and not an employee or agent of the City. The Developer shall have exclusive control of and the exclusive right to control the details of the services and work performed and all persons performing the same and nothing herein shall be construed as creating a partnership, agency, joint venture or other similar relationship between the City and Contractor.

The Developer agrees that it will not represent to anyone that its relationship with the City is other than that of an independent contractor, and the City and the Developer may so inform any parties with whom they deal and may take any other responsible steps to carry out the intent of this section. The Developer shall be fully and solely responsible for its own acts and omissions and those of its employees, officers, agents and subcontractors.

- 2.19 **Drug-Free Workplace:** The City of Charlotte is a drug-free workplace employer. The City has adopted a policy requiring its contractors to provide a drug-free workplace during the performance of any City contract. In order to be eligible for funding under the H T F, a prospective Developer must certify that it will, if awarded funding, provide a drug-free workplace during the term of the funding agreement. This requirement is met by:

- (a) notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken for violations of such prohibition;
- (b) establishing a drug-free awareness program to inform employees about (i) the dangers of drug abuse in the workplace, (ii) the contractor's policy of maintaining a drug-free workplace, (iii) any available drug counseling, rehabilitation, and employee assistance programs, and (iv) the penalties that may be imposed upon employees for drug abuse violations;
- (c) notifying each employee that as a condition of employment, the employee will (i) abide by the terms of the prohibition outlined in (a) above, and (ii) notify the contractor of any criminal drug statute conviction for a violation occurring in the workplace not later than five days after such conviction;
- (d) imposing a sanction on, or requiring the satisfactory participation in a drug counseling, rehabilitation or abuse program by, and employee convicted of drug crime;
- (e) making a good faith effort to continue to maintain a drug-free workplace for employees; and
- (f) requiring any party to which it subcontracts any portion of the work under the contract to comply with the provisions of (a) - (f).

If the prospective Developer is an individual, the drug-free workplace requirement is met by not engaging in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance in the performance of the contract.

- 2.20 **E-Verify:** As a condition for payment under this Contract, Company shall: (i) comply with the E-Verify requirements set forth in Article 2 of Chapter 64 of the North Carolina General Statutes (the “E-Verify Requirements”); and (ii) cause each subcontractor under this Contract to comply with such E-Verify Requirements as well. Company will indemnify and save harmless the City from all losses, damages, costs, expenses (including reasonable attorneys’ fees), obligations, duties, fines, penalties, interest charges and other liabilities (including settlement amounts) incurred on account of any failure by Company or any subcontractor to comply with the E-Verify Requirements.

2.21. **Definitions**

**Minority Business Enterprise (MBE):** Refers to a Business Enterprise that: (a) is certified by the State of North Carolina as a Historically Underutilized Business (HUB) within the meaning of N.C. Gen. Stat. 143-128.4; (b) is at least fifty-one percent (51%) owned by one or more persons who are members of one of the following groups: African American or Black, Hispanic, Asian, Native American or American Indian; and (c) is headquartered in the Charlotte Combined Statistical Area.

**Small Business Enterprise (SBE):** Refers to a Business Enterprise that is certified by the City of Charlotte under Part E of the CBI Policy as meeting all of the requirements for SBE certification

**Women Business Enterprise (WBE):** Refers to a Business Enterprise that: (a) is certified by the State of North Carolina as a Historically Underutilized Business (HUB) within the meaning of N.C. Gen. Stat. 143-128.4; (b) is at least fifty-one percent (51%) owned by one or more persons who are female; and (c) is headquartered in the Charlotte Combined Statistical Area.

**Charlotte Combined Statistical Area (CSA):** Refers to the Charlotte-Gastonia-Salisbury Combined Statistical Area in effect as of April 8, 2013 consisting of; (a) the North Carolina counties of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union; and (b) the South Carolina counties of Chester, Lancaster, and York. This is one criteria used by Charlotte Business INclusion to determine eligibility to participate in the program.

**MWSBE:** Refers to SBEs, MBEs and WBEs as a collective. In some context it means all SBEs, MBEs, and WBEs, and in other contexts it means one or more categories of SBEs, MBEs, or WBEs.

**MWSBE Goal:** The term MWSBE Goal depends on the context. If a Contract has separate Subcontracting Goals, MBEs, WBEs, and/or SBEs, the term MWSBE is a shorthand way to refer collectively to all MBE, WBE, and SBE Goals set for the

Contract. In some instances, the City may set one combined goal for MBEs, WBEs, and/or SBEs on a Contract, in which event the term MWSBE Goal refers to that one, combined goal. In the latter instance, calculated as a percentage, the MBE, SBE and WBE Goal represents the total dollars spent with MBEs, SBEs and WBEs as a portion of the total Bid or Proposal amount, including any contingency.

**Subcontracting Goals:** Refers to the SBE, MBE, WBE, and MWSBE Goals established by the City for a Contract.

### **City of Charlotte Business INclusion Program (CBI):**

Pursuant to Charlotte City Council's adoption of the Charlotte Business INclusion (CBI) Policy, the Charlotte Business INclusion program promotes diversity, inclusion, and local business opportunities in the City's contracting and procurement process for Minority, Women, and Small Business Enterprises (MWSBEs) headquartered in the Charlotte Combined Statistical Area (CSA). The CBI Policy is posted at: [www.charlottebusinessinclusion.com](http://www.charlottebusinessinclusion.com).

The City of Charlotte is committed to promoting opportunities for maximum participation of certified MWSBEs on City funded contracts at both the Prime and Subcontract level. For MWSBE participation to count towards a Goal, MWSBEs must meet both the certification and geographic requirements as detailed throughout this solicitation and in the CBI Policy.

#### **Additional Information for Developers**

- Access the MWSBE vendor list at [www.charlottebusinessinclusion.com](http://www.charlottebusinessinclusion.com)
- Read the CBI policy online at [www.charlottebusinessinclusion.com](http://www.charlottebusinessinclusion.com)
- Utilize CBI staff to become familiar with all pertinent forms and templates
- Attend all pre-bid meetings to ask questions and become familiar with the City's CBI policy
- Attend CBI Orientation Sessions
- Visit the Housing & Neighborhood Services web site to view the latest HTF Request for Proposal opportunities

### **Housing Trust Fund MWSBE Requirements:**

Through the H T F, the City provides assistance through making financial resources available in the form of low-interest loans and grants to preserve existing housing and develop new affordable housing. Because HTF investments are viewed as significant opportunities for public investment, the borrower (Developer) is subject to meet MWSBE requirements to ensure that the City continues its commitment to enhance opportunities for MWSBEs to participate in contracts with a public interest.

The Developer must demonstrate the belief that there are many benefits when doing business with MWSBEs by purchasing professional and construction-related services, labor, supplies and materials from MWSBEs. The Developer understands that they can

participate in strengthening the economic foundation of our local communities by working with the Charlotte Business INClusion (CBI) Program.

The Developer agrees to develop goals with the City such as:

- Upon award, meet with City representatives to establish subcontracting goals based upon opportunity of defined scopes and availability of MWSBEs.
- To meet at least the minimum diversity goals established by the City, by striving to achieve the designated MWSBE goal based on the HTF funding amount.
- To be recognized by outside entities as a Developer that is both accommodating to the MWSBEs and fair in the administration of its programs.
- To achieve diversity within its MWSBE participation by including the various minority groups that makes up our community.

**Charlotte Business INClusion Program Contact Information:**

**City of Charlotte  
Management and Financial Services**

<http://charmeck.org/city/charlotte/CharlotteBusinessInclusion/Pages/default.aspx>



# Affordable Housing Funding Application Guidelines

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## **SECTION I: GOALS AND GENERAL REQUIREMENTS**

The City of Charlotte (“City”) is committed to improving Charlotte’s neighborhoods and the lives of the people who live in them. One method of improving neighborhoods and the lives of families is that of making sure safe, decent and affordable housing is available for low and moderate-income households. The City provides assistance by making financial resources available to affordable housing developers in the form of low interest loans and grants to develop new rental housing and to preserve existing affordable housing units.

### **A. Goals:**

The City’s Housing Policy embraces the following national goals established by the United States Department of Housing and Urban Development and aligns with the City Council’s 2016 Letter to the Community which supports the need for safe and decent housing for low and moderate-income households

- Provide decent and affordable housing
- Provide a suitable living environment; and
- Expand economic opportunities to benefit low and moderate-income households.

The City provides loans and grants to further its mission of revitalizing the City’s neighborhoods.

### **B. General Requirements:**

The City’s Housing Trust Fund (“HTF”) is one of its funding sources for affordable housing and it provides funding for the development of new construction affordable rental and rehabilitated housing. Such housing is provided, primarily for low and moderate-income households. The HTF seeks to leverage the State’s Low Income Housing Tax Credit program which targets households earning 60% and below the Area Median Income (“AMI”);

The City considers the following when evaluating applications for affordable housing development loans and grants:

- Public purpose (but for the City investment, the project would not be feasible for the targeted income group);
- Ability of the proposed development to help achieve the City Council’s affordable housing policies and goals;
- Financial feasibility;
- Developer’s capability and experience;
- Site location;
- Number of affordable housing units and targeting of incomes
- Whether or not a complete application for funding was submitted (incomplete applications will be returned to the Developer);
- Long-term affordability;
- Community impact and support;

- For 4% Bond funding requests, priority will be placed on proposals containing the greatest mix of incomes and proposals in areas of high opportunity (e.g.: proximity to existing or planned transit amenities, area poverty rating, and school performance)

In order to ensure City-financed affordable housing developments adhere to the City's affordable housing goals, each affordable housing development project must:

- Maintain the affordability of units through the use of long-term deed restrictions. The minimum length of the affordability period will be evaluated and determined based on the City's financing per unit.
- Ensure that the affordable units within a mixed income development will be equal in square footage and comparable to the market rate units.
- Comply with the City's zoning, land development and other housing policies. Key housing policies that developments must adhere to are the City's Multi-Family Housing Locational Policy and the Assisted Multi-Family Housing at Transit Station Area Policy. (Developments with more than 24 units must adhere to the Multi-Family Housing Locational Policy.)

Eligible rehabilitation development projects include activities that are major in scope including but not limited to: structural, mechanical and electrical repairs, roof, windows, doors and work required when it has been determined that the useful life is five years or less and projects where rehabilitation is needed to make the units habitable. Repairs such as painting, replacing floor covering, and trim work are only eligible when they are part of a larger scope of rehabilitation.

The following criteria are applicable to applications for rehabilitation:

- Housing units must have been placed in service on or before December 31, 2002
- Require Rehabilitation expense in excess of \$15,000 per unit
- Acquisition cost may not exceed 70% of the total replacement costs
- Property owner must not have begun or completed a full debt restructuring under the Market to Market process (or any similar HUD program) within last five years.
- Property should not have deteriorated to the point of requiring demolition.
- The City reserves the right to adjust its loan/grant policies and guidelines as needed to address changing market demands and the priorities of the City.

### **C. Types of development projects:**

The City will support new construction and rehabilitation of rental units of the following types:

- Multi-Family Construction/Rehabilitation\*
- Supportive Housing (Special Needs Housing i.e. elderly, disabled)\*

\* Includes associated costs for on-site infrastructure and acquisition.

### **D. City Council's Approval Process:**

City Council approval is obtained at Council meetings. Funding requests will not be brought before the City Council until the following has occurred:

- Developers inform Council district representatives and convene at least one community meeting to address questions about the proposed development;
- The City has received a complete Affordable Housing Funding Application package;
- City staff has reviewed the request for funding; \*
- The Housing & Neighborhood Services Director has reviewed the funding request; and
- The funding request has been presented at a City Council Dinner Briefing and/or reviewed by a City Council Committee.

*\*Note: The City staff review may include preliminary review by the Charlotte-Mecklenburg Planning, Charlotte Water, and Police Departments.*

## **SECTION II: LOAN/GRANT ELIGIBILITY CRITERIA**

### **A. Eligible Developers**

The City's affordable housing funding programs are designed to provide financial assistance to non-profit and for-profit affordable housing development entities.

### **B. Income Group Targets**

City-financed affordable housing programs serve both rental and homeownership households for households earn 80% and below the area median income rental housing developments serving a mixture of incomes will be given priority.

## **SECTION III: Funding GENERAL CONDITIONS**

### **A. Funding Amount**

Funding amounts may vary based on the following:

- Number of housing units being developed;
- Leverage ratio of the project; and
- Available City housing development funds.

The City will also consider the needs of the project, the experience of the developer and any associated risk in the project. To achieve leverage ratio targets, the City will typically fund up to ***a maximum of fifty percent (50%) of the eligible unit per square foot cost*** for affordable housing development. The City reserves the right to adjust the maximum funding amount to any borrower on an exception basis

**Note:** The source of funds may impose additional restrictions on the borrower.

## **B. Interest Rates, Financing Terms and Repayment Structure**

The following are *general guidelines* and the City reserves the right to adjust the terms of funding on a case-by-case basis based on changes in conventional lending and other financing sources.

The City's funding is generally in the form of soft "gap" financing. To allow for future investment in affordable and workforce housing, the City seeks to achieve a reasonable return of capital and where possible a return on investment based on the financing features of each funding request. The City allows flexibility for creativity by development teams by establishing funding terms based on the financial structure of each development project.

Funding in the form of loans may range from 20 year, deferred at 0% interest to 20 year, amortizing at the Long Term Applicable Federal Rate (AFR) based on a financial analysis of the development project. The primary tool used to perform the financial analysis is the Debt Coverage Ratio (DCR). Projects with a DCR greater than or equal to 1.25 will be considered for a fully amortizing loan with a corresponding rate that either achieves a DCR of 1.15 or the maximum Long Term AFR. Other DCR features are as such:

- Projects that have a DCR of less than 1.25 will be considered for interest only loans. The interest rate will be set at a percentage rate that will achieve a DCR of 1.15.
- Projects that are submitted at a DCR of 1.15 will be considered for a deferred cash flow loan.
- Grants are considered when a project serves a substantially underserved population.
- A project with a DCR greater than 2.0, after the application of a fully amortizing loan at the Long Term AFR will be considered over subsidized. The funding request will be reduced to achieve a DCR of 1.75. This may result in the funding request being reduced to zero. Projects of this nature are candidates for private financing.

## **C. Collateral**

The City prefers to take or share a first lien position on assets financed with its loan proceeds. The City will accept a second or third lien position (subject to the amount of the loan funds financed by the City).

## **SECTION IV: Funding UNDERWRITING CRITERIA**

The following minimum financial underwriting criterion applies to all projects:

### **A. Rental Housing Development**

Requests for City funding are considered on a competitive basis. City staff will analyze funding requests based upon the following:

#### **Project Feasibility**

*Revenue Stability and Reliability* – May include project-based assistance, below-market rent (e.g. tax credit multi-family projects).

*Operating and Financial Risk* – As indicated by the debt service coverage and break-even occupancy. The City seeks projects with a desirable debt service coverage ratio of *at least 1:15 for the term of any debt financing*. In addition, the City seeks projects with a desirable break-even occupancy that is lower than 85%.

<b>Debt Service Coverage</b>	<b>Break-Even Occupancy</b>	<b>Risk</b>
Greater than 1.30	Less than 70%	Low
1.10 to 1.30	70% to 85%	Medium
Less than 1.10	Greater than 85%	High

The City may consider project submissions outside of the operating and financial risk guidelines as stated above. Consideration however will be given based on the number of affordable and workforce units, income limit served, projects ability to meet the City's goals and the overall viability of the project. A debt service coverage ratio as low as 1.10 will be considered for projects with at least 20% of the units serving households earning 40% and below AMI. A fixed interest rate is encouraged for other project debts; however a maximum interest rate must be applied for variable rates.

*Sound Property Management* – Ensures a successful multi-family project. A strong track record for the property manager includes; low collection loss, low vacancy rate compared to similar projects, operating within budget, development and implementation of an effective maintenance program, and establishment of operating policies and procedures. The property manager should have familiarity with the various funding sources for affordable housing development and rental subsidies. Additionally, the City has established the following property management guidelines:

Assisted multi-family housing developments over 25 units must have an on-site office and provide management personnel as outlined below:

**Size of Development**

25 - 50 units

51 - 75 units

76 - 100 units

**Minimum Requirements**

20 hours per week

30 - 40 hours per week

40 hours per week with on-site Resident employee  
or 80 hours per week

*Project Reserves* – Project and/or replacement reserves funded from the development budget or deducted monthly from cash flow are indicators of the sustainability of the project. The City has the following guidelines regarding replacement reserves:

- New Construction Minimum-\$250 per unit (per year)
- Rehabilitation Minimum \$350 per unit (per year)

The replacement reserves must be capitalized from the project's operations. An annual increase of 4% is acceptable.

*Market and other External Factors* – A market feasibility analysis report is required as part of the submission. The market analysis at a minimum should include:

- *Location and Neighborhood Information* (project description, neighborhood characteristics, shopping, school, etc.);
- *Socio-Economic and Demographic Development* (economic context, growth trends, demographic and income characteristics),
- *Competitive Analysis* (housing stock for the area, rental and for-sale markets, proposed developments). The report should also detail findings and a conclusion and address project feasibility, an analysis of affordability, and the demand and estimated absorption. Market studies prepared by the North Carolina Housing Finance Agency that meet City requirements will be accepted.

*Repayment Plan* – must be demonstrated by project pro-forma, cash flow statements, and development budget and project timeline.

*Loan Underwriting Minimum Standards* – based on current market conditions:

- Vacancy rate – 7%
- Annual rent increase – 2%
- Annual operating expense and replacement reserve annual increase – 3%
- Operating expenses (*new construction*) – \$3,600 to \$4,000 per unit per year, not including taxes, reserves and residential support services.
- Operating expenses (*rehabilitation*) – \$3,800 to \$4,200 per unit per year, not including taxes, reserves and residential support services.

*Rent-Up Reserves* – Should not be less than \$300 per unit. These funds should be available to the management agent to pay rent-up expenses incurred in excess of budgeted rent-up expenses in the project development costs. The funds are to be deposited in a separate bank account and evidence of such transaction provided to the City 90 days prior to the date the project is expected to be placed in service. All funds remaining in the rent-up reserve at the time the project reaches 93% occupancy must be transferred to the project operating reserve account.

*Operating Reserve* – Will be based on six months (four months for tax-exempt bond projects) debt service and operating expenses, and must be maintained for one full calendar year starting at the point that the 1:15 debt service coverage ratio is achieved (or as low as 1:10 for projects in which at least 20% of the units serve households earning 40% and below AMI). The City must approve any withdrawals from the operating reserves account to meet the project's operating deficits that exceed \$5,000 in aggregate during any three-month period. Withdrawals from the operating reserve account must be replaced in order to maintain the initial required funds as reflected in the City's loan agreement.

*Developer Fees* – can be loaned to a project to cover a gap. Repayment projections for loans must not negatively impact the operations of the project. If applicable, a resolution from the Board of Directors allowing such a loan to the project must be provided. .

*Project Contingency Funding* – new construction projects should have a hard cost contingency line item of at least 5% of the total hard costs (including general requirements, builder profit and overhead). Rehabilitation projects should have a hard cost contingency line item of at least 10% of the total hard costs.

*Architect's Fees* – The architects' fees, including design and inspection fees, shall be limited to three percent (3%) of the total hard costs plus general requirements, overhead, profit and construction contingency.

## **B. For Multi-Family Housing Developments**

### **1. Proposed Collateral**

The ratio of loan amount to the appraised value (LTV) – including the lien position and soft costs – is used as a guideline for risk rating as noted below:

<b>LTV</b>	<b>Risk</b>
Less than 70%	Low
70% to 85%	Medium
Greater than 85%	High

### **2. Development Team Qualifications**

The Development Team must demonstrate that the project can be developed within the proposed market, evidenced by the Development Team's:

- Track record, including whether the team has successfully completed and/or operated a similar type project or a project of similar scope and size.
- Composition - An experienced development team improves the likelihood of a successful project. Development team members could include, but not be limited to, developer, project manager, engineer, architect, property manager, development consultant, land planner, accountant, attorney and marketing agent. The experience and capacity of the development team should be consistent with the size of the development.
- Credit report/history and performance history with the City of Charlotte. If the borrower has outstanding projects with the City of Charlotte, a detailed list of projects and their status should be provided.
- Financial statements prepared by an accountant for the current year and audited statements for the previous year.
- Operating Reserves – sufficient financial capacity to provide stability for the organization in the event of unanticipated adverse developments.



- Management Capacity/Experience including the following:
  - Experienced key personnel (an experienced staff improves the likelihood of a successful project).
  - Management structure and decision-making.
  - Board of Director – project risk is reduced when the borrower’s Board is actively involved and able to understand and contribute to the project’s successful development and operation. Expertise in related professional disciplines such as real estate, business, law, urban planning, and architecture are considered valuable.
  - Property management experience – number of units managed; years of experience; and the number of affordable units managed. (Addresses and site contact persons should be provided to allow for site visits.)
  - Diversity inclusion efforts and successes in the last five (5) years.

## **SECTION V: LOAN/GRANT CLOSING PROCEDURES**

### **A. Financing Commitment Letter**

Upon final loan/grant approval, the City of Charlotte will prepare a written loan commitment. The funding commitment letter will specify the following:

- Interest rate of the loan (if applicable)
- Frequency of payments
- Amount of each payment
- Term to maturity and amortization schedule
- Collateral to be secured (and lien position)
- Total loan amount
- Use of loan proceeds
- Insurance requirements
- Reporting requirements
- Period of affordability
- Special conditions (project schedule)
- Expiration date of the loan commitment
- Projected draw schedule
- Construction start date
- Required reserves, (project, rent-up and operating reserves)

The Development Team must countersign the commitment letter to affirm agreement with the terms and conditions offered. The commitment letter must be executed and received by the City within 60 days of the date of the commitment letter. Once the commitment is signed the City will prepare for loan closing. The funding commitment expires as specified within the commitment letter.

### **B. Requests for Extensions**

The loan commitment expiration date may be extended with a formal written request. Extension request letters must be submitted to City Staff within thirty (30) days of the

commitment letter expiration date. The letter should include the reason for the extension and a revised project schedule. Subject to approval a six month extension may be granted.

### **C. Loan Documents**

Upon receipt of a signed commitment letter from the borrower, the City's legal counsel will prepare the loan documents, which may include the following for loans that will be secured by real property:

- Loan agreement
- Deed of Trust
- A Promissory Note
- Security agreement
- UCC-1 financing requirement

It is the expectation of the City that the financial projections (proformas) submitted by the Developer to the City will not be materially different from the proforma submitted to other funding sources. Should this occur, the City reserves the right to deem the action as a default. In the event of default the City reserves the right to adjust the financing based on the changes in the proforma or cancel its funding commitment for the project. The City also reserves the right to request funding applications from the other funding sources.

## **SECTION VI: REPORTING AND MONITORING**

### **A. Reporting**

The Developer is required by the loan/grant agreement to submit, at the City's discretion, quarterly and/or annual reports in a format determined by the City. The Developer must provide the following during the term of the loan/grant:

- Payment if stipulated in the loan agreement;
- Copy of the annual audit conducted by an independent audit firm within 120 days of the end of its fiscal year end;
- Insurance certificate in which the City is the named insured;
- Any material change in governance or management;
- Any other debt or borrowing, for this project or any project;
- Any change or loss in property and casualty insurance; and
- Any pending legal action and their assessment of the impact of such action.

### **B. Monitoring**

The City will provide inspections of developments in its loan/grant portfolio during the period of affordability. The review will include, but not be limited to, the following:

- Verification of compliance with the loan/grant conditions;
- Review (inspection) of property secured by the loan/grant (including photographs);
- Evaluation of tenants' files to ensure compliance. The review will include income, leases, rents, units, etc.; and
- Review of borrower's audited financial statements and the financial performance of the project.

To verify compliance with property standards and the information submitted on tenants' incomes, rents and other rental requirements during the project's period of affordability, the City will conduct on-site inspections based on the number of funded units.

The inspection schedule is as follows:

<b>Number of City Funded Units Per Project</b>	<b>Inspection Required</b>
1 – 25	Every 2 Years
26 or more units	Annually

The Developer should keep the following records:

- Documentation to back-up rent and utility allowance calculations.
- Tenant files that include documentation necessary to demonstrate that an income-eligible tenant properly occupies each City funded unit.
- Documentation that includes the tenant's application, initial income verification documents, subsequent income recertification documents and the tenant's lease.

### **C. Periods of Affordability**

For homeownership and rental developments, the affordability period depends on the amount of City investment in the property and the nature of the funded activity. Developments exceeding the affordability standards will be given additional consideration. The table below provides the minimum affordability periods.

<b>Activity</b>	<b>Average Per Unit Investment</b>	<b>Minimum Affordability Period</b>
Rehabilitation or Acquisition of Existing Housing	<\$15,000 \$15,000 - \$40,000 > \$40,000	5 years 10 years 15 years
Refinance of Rehabilitation Project	Any dollar amount	15 years
New Construction or Acquisition of New Housing	Any dollar amount	20 years

## **SECTION VII: APPENDICES**

**A. Housing Locational Policy**

**B. Housing Locational Map**